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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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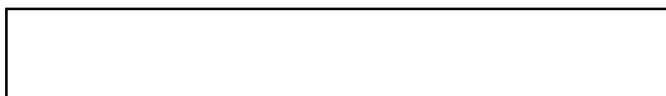
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## THE WEEK IN BRIEF

OF IMMEDIATE INTEREST

Bitter controversy in the French National Assembly over the Algerian and economic issues will make the search for a successor to Premier Bourges-Maunoury unusually difficult. The deputies will be under pressure to support the premier-designate because of increasingly widespread strikes, the threat of a breakdown of civil and military authority in Algeria, and the need to establish a position for next month's UN debate on Algeria.

**MIDDLE EAST DEVELOPMENTS . . . . . Page 2**



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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****3 October 1957****PART II****NOTES AND COMMENTS****DISARMAMENT ISSUES AT THE 12TH UN GENERAL ASSEMBLY . . . . Page 1**

UN members generally feel that Western arguments against a separate nuclear test ban are technically sound, but do not meet what they see as a major psychological problem--a world-wide fear of excessive radiation from continued testing. This fear will make it difficult for many Western-oriented countries to oppose the Soviet call for an unqualified suspension of nuclear testing. [REDACTED]

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**"NEW" RESOURCES AND THE SOVIET PLAN REVISION . . . . . Page 1**

The USSR has cited the discovery of new resources as an important reason for the decision to draft a new long-range economic plan for 1965, which will in effect supersede the Sixth Five-Year Plan (1956-1960). Since many of the resources mentioned had already been scheduled for exploitation under the original Sixth Plan, however, the reference was probably intended to introduce an optimistic note in the announcement and to cover up shortcomings in earlier investment planning for expanding the raw material base of the economy. [REDACTED]

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**THE SOVIET LEADERS . . . . . Page 2**

Most top Soviet leaders are absent from Moscow--on vacation, on official trips abroad, or at work in their provincial bailiwicks. Anastas Mikoyan, assisted by Mikhail Suslov, has apparently been in charge in Khrushchev's absence. [REDACTED]

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**REORGANIZATION OF THE HUNGARIAN ARMY . . . . . Page 4**

In the year since the virtual disintegration of the Hungarian army last fall, the Kadar regime has taken several steps to organize the remnants into an effective force. Hungarian army officials announced early this year that although the army would be smaller than before the revolt, it would in the future be capable of carrying out tactical military assignments, not merely internal security duties, and would be politically more reliable. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

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**PART II (continued)****USSR EXTENDS NEW LOAN TO EAST GERMANY . . . . . Page 5**

Economic agreements signed in Berlin on 27 September by the USSR and East Germany call for a \$5 billion trade volume for 1958 through 1960. The Soviet Union also promised East Germany a credit of \$75,000,000 in freely convertible currency and \$100,000,000 worth of goods during 1958, indicating a continuing East German need for Soviet subsidization to maintain the economy. [REDACTED]

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**WORLD REACTION TO LITTLE ROCK EVENTS . . . . . Page 5**

The events in Little Rock have drawn a record volume of Soviet comment on "Negro persecution" in the United States. Washington's attitude was said to be one of "connivance" with Southern racial extremists and indifference to Negro rights. Moscow's broadcasts to Western Europe linked the events to America's position as a leading world power; the expected exploitation of the color-line issue in comment to the Asian-African audiences failed to materialize. In the satellites, Warsaw was the most restrained while East German comment was more virulent than Moscow's. Peiping waited until 26 September to report the events, but then followed Moscow's line. Free world press and radio comment largely stressed the loss of prestige to the United States and generally backed the President's use of troops. [REDACTED]

**TUNISIA . . . . . Page 7**

The French government crisis is likely to compound the difficulties facing Tunisian President Bourguiba, who, despite mounting criticism within his government, reiterated on 26 September that Tunisia remains aligned with the West. Paris thus far has prevented Tunisia from obtaining arms from Western sources, and concessions to Tunisia are unlikely during the search for a new French government. [REDACTED]

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**PART II (continued)****IBERIAN COMMON MARKET DISCUSSIONS . . . . . Page 7**

The discussions in mid-September between cabinet ministers of Spain and Portugal regarding an Iberian common market were brought about largely by concern in the two countries over the effects on their economies of the six-nation European Common Market. Although Spain's and Portugal's economies are competitive rather than complementary, an agreement for economic cooperation would improve their position for working out a relationship with the six-nation group. [REDACTED]

**ARGENTINA'S POLITICAL SITUATION . . . . . Page 8**

The provisional government of President Aramburu has gained prestige by weathering the Peronista-backed general strike of 27 September, but is still confronted with political and economic problems [REDACTED]

**COMMUNIST DEVELOPMENTS IN ECUADOR. . . . . Page 9**

The influence of Communists in the Ecuadoran labor movement was recently demonstrated by their promotion of a nationwide strike effort which forced the government to capitulate to labor demands. There is serious dissidence, however, within the party and in the Communist-oriented student movement. The government's ouster of Czech legation personnel for alleged involvement in the strike may presage a crackdown on the party. [REDACTED]

**TURKISH NATIONAL ELECTIONS . . . . . Page 10**

Turkey will begin campaigning on 7 October to elect 610 deputies to the 11th Grand National Assembly on 27 October. The incumbent Democratic party, led by Prime Minister Menderes, is trying to assure its return to power by adding popular military and civilian leaders to its list of candidates. Regardless of the outcome, Turkish-American relations will probably be relatively unaffected. [REDACTED]

**KABUL IS CONSIDERING NEW OIL DEVELOPMENT SCHEMES . . . . . Page 11**

The subject of developing suspected oil resources in northern Afghanistan is apparently again under active consideration in Kabul. The USSR is reported to have presented a comprehensive new plan for oil exploitation, and Kabul may be attracted by the offer, which promises to end its dependence on imports of oil supplies. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****3 October 1957****PART II (continued)****LAOS . . . . . Page 12**

Conservative leaders Phoui and Katay are likely to continue to dominate the Laotian cabinet which is expected to be enlarged during early October, and therefore will probably be able to restrain Prime Minister Souvanna Phouma from reaching an early and unguarded settlement with the Pathet Lao. Despite public professions by the Pathets of readiness to reach a final settlement before a deadline of 9 October set by Souvanna, they have shown no readiness to make significant concessions in the negotiations which resumed on 16 September. [REDACTED]

**SOUTH VIETNAM . . . . . Page 13**

South Vietnam's President Diem and other top officials have vigorously sought in the past several months to increase their country's prestige. Diem is also attempting to quicken the pace of economic development in South Vietnam and to head off incipient political discontent. [REDACTED]

**JAPANESE PROPOSALS IN TRADE DISCUSSIONS WITH PEIPING . . . Page 14**

An exchange of permanent trade missions with Communist China has been proposed by representatives of Japanese trading organizations negotiating in Peiping with the semiofficial backing of the Kishi government. [REDACTED]

[REDACTED] Peiping has apparently does not intend to sign an agreement without further concessions by Tokyo. [REDACTED]

**CHINESE COMMUNIST NATIONAL DAY FESTIVITIES . . . . . Page 15**

Speeches by Chinese leaders during the National Day celebration on 1 October revealed a more sober attitude this year than those in 1956, which reflected brash optimism regarding the regime's prospects. Internal difficulties were readily admitted, but the Communists remain confident that their political and economic goals will be reached. In foreign policy statements, the regime scored "hostile" moves by the United States, promised its continued support of Syria, Egypt, Oman, and Algeria, and gave only cursory attention to the "liberation" of Taiwan. [REDACTED]

**CHINESE COMMUNISTS STRESS HOMEMAKING ROLE OF WOMEN . . . . Page 16**

Speeches by government and party leaders at the national women's conference, which ended in Peiping on 20 September, suggest that the Chinese Communists have decided to encourage women to get out of the factory and back into the

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## PART II (continued)

kitchen. This is a reversal of the regime's "emancipation" policy--adopted as a revolutionary tactic--which has brought increasing numbers of women into industry, politics, and government since 1949. [REDACTED]

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## PART III

PATTERNS AND PERSPECTIVES

## KHRUSHCHEV REVAMPS SOVIET COMMUNIST PARTY . . . . . Page 1

In his efforts to make the Soviet Communist party a more effective instrument for political control and administration, First Secretary Khrushchev is streamlining the party's structure and attempting to instill party workers with greater enthusiasm for its objectives. Not only is he placing members of the party apparatus in positions of control in industrial and agricultural enterprises, but he is transferring additional party careerists to key government and economic positions. He has sought to reduce popular antagonism toward the party, to bring in more rank-and-file workers, women, and young people, and to improve party members' morale, technical competence, and sense of responsibility. Although measures taken thus far may improve party operations over the short run, apathy and bureaucratic lethargy are too deep-seated to be overcome by these tactics alone. [REDACTED]

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## ZHUKOV'S VIEWS ON MODERN WARFARE . . . . . Page 4

The growing Soviet military capability has been reflected in a series of recent public and private statements by Marshal Zhukov in support of the Khrushchev regime's foreign policy. While Zhukov had previously refrained from stressing Soviet nuclear capability and had emphasized instead the importance of "conventional" weapons, he now speaks of the "unavoidability" of using nuclear weapons in a future war. [REDACTED]

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## KURDISH TRIBES MAY ADD TO TENSION IN MIDDLE EAST . . . . . Page 5

In recent months the Iranian government has become concerned over the possibility that the USSR and Syria may use Kurdish tribesmen to create new frictions in the Middle East. As a precautionary measure, Tehran recently reinforced border guards along its northwestern frontier. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****3 October 1957****PART III (continued)****ITALY'S ECONOMIC OUTLOOK . . . . . Page 7**

Italy, which required unusually heavy American economic aid in the postwar era, has in the past few years shown striking increases in over-all production. With gradually rising gold and dollar reserves, Italy has been relatively free of the serious financial difficulties recently plaguing Britain and France. A continued increase in the rate of growth is being inhibited, however, by serious fundamental defects in the economy which are reflected in a persistently high level of unemployment and a wide disparity in the economic development of the northern and southern parts of the country.

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**TRANSPORTATION ON CHINA'S HIGHWAYS . . . . . Page 10**

Communist China has expanded its highways from 47,000 miles in 1949 to 137,000 miles at the end of 1956 and increased the freight carried tenfold. Just over 700 miles of truck highways are to be built in 1957, and existing plans call for the addition of 9,300 to 11,250 miles during the Second Five-Year Plan. Present and expected inadequacies in the nation's supply of liquid fuels, however, will seriously hamper large-scale development of truck transport for some time to come. With rapidly increasing demands on highway transport, the authorities are suggesting that fuller use be made of China's ancient means of transport--carts, wheelbarrows, pack animals, and human carriers.

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PART I

OF IMMEDIATE INTEREST

THE FRENCH POLITICAL CRISIS

Bitter controversy in the French National Assembly over the Algerian and economic issues will make the search for a successor to Premier Bourges-Maunoury unusually difficult. The deputies will be under pressure to find an early solution because of increasingly widespread strikes, the threat of a breakdown of civil and military authority in Algeria, and by the need to establish a position for next month's UN debate on Algeria.

The maneuverability of any prospective candidate for the premiership, who must bring about a working relationship between the left and right non-Communist parties, has been reduced by the sharpened disagreement over the Algerian and economic issues. Although the non-Communist parties are still agreed on keeping Algeria French, the rightist bloc now reportedly favors postponement of a political solution until Algeria has been pacified. The Socialists, however, who were largely responsible for the origination of the proposed statute, are smarting over its defeat. A continued deadlock between these two groups might undermine French civil authority in Algeria and significantly increase army discontent over the failure of the Paris politicians to carry their share of the load.

Ex-Gaullist Jacques Soustelle, who played a major role in bringing down the government, would normally be given an opportunity to form a new government. He is not conceded much of a chance, however, and President Coty, anxious to

shorten the crisis, may turn to ex-premier Rene Plevin as the man most likely to be able to form a cabinet. Socialist leader Guy Mollet, himself a prospective candidate, is reportedly ready to throw the weight of his party behind Plevin. Defense Minister Rene Billeres, Defense Minister Andre Morice, and Popular Republican leader Pierre Pflimlin, all representatives of center parties which might resolve major party differences, have also been suggested.

On the economic front, labor disorders are increasing and on 3 October nearly two million workers joined those already on strike; farm groups are continuing organized pressure against government price stabilization efforts, and the government, only technically in power, may be hampered in taking effective action.

A prolonged cabinet crisis, accompanied by a deteriorating social and economic situation, may revive efforts to seek a "national" solution. General de Gaulle is frequently mentioned in this context. He is reported to have a compromise plan which would save enough of Algeria to allow France to exploit Saharan oil, but his demands for wide executive powers at the expense of the assembly make it unlikely he will be asked to form a government. Nevertheless, the influential Paris newspaper Le Monde warned on 1 October that the crisis may be so serious as to lead to a "call to De Gaulle."

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## MIDDLE EAST DEVELOPMENTS

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The Syrian military chiefs apparently have still taken no significant measures against possible attack. The American acting army attaché in Damascus estimates that forces in northern Syria, including gendarmerie and naval and support units at Latakia, total about 7,900 men. Regular army units comprise less than half of this total, however. The Syrian army's principal concentration remains on the Israeli front.

Egyptian Attitudes

While the Egyptian press is proclaiming Egypt's solidarity with Syria, Cairo's leaders may be privately apprehensive over the development of further Syrian-Soviet ties.

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The Syrian and Egyptian press has acclaimed Saud's trip --and even more the surprise visit by Iraqi Prime Minister Ali Jawdat al-Ayyubi--as a major defeat for alleged Western attempts to isolate Syria from the other Arab states. The radical nationalist leaders in Cairo and Damascus have thus scored an immediate propaganda success

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Saudi UN delegate Shukayri's speech in New York, which probably was more violent in language than Saud would have approved, will give further comfort to the radical nationalists and the outright leftists.

Syrian Internal Developments

chief Sarraj and Vice Chief of Staff Nafuri have resumed their long-standing feud.

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Arab-Israeli Relations

Israel has been quietly pursuing its drainage project along the Syrian border, which is scheduled for completion about mid-October. An Israeli officer and two UN officers taken into custody by the Syrians last week have been

returned to Israeli territory. The attitude demonstrated by this action corresponded to the apparent Syrian desire to stay out of trouble with more powerful neighbors. The Egyptians, however, are retaining custody of a new Israeli fishing trawler which they allege was seized while engaged in reconnaissance activity or a clandestine operation off the Mediterranean coast of the Sinai peninsula. Israel is making representations to the UN secretary general on this issue.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## PART II

NOTES AND COMMENTS

## DISARMAMENT ISSUES AT THE 12TH UN GENERAL ASSEMBLY

UN members generally feel that the Western arguments against a separate nuclear test ban are technically sound, but are based essentially on disarmament arguments and do not meet what they see as the real problem--a world-wide fear of the adverse effects on health that might result from continued testing. This fear has already prompted India and Japan to introduce proposals calling for unqualified suspension of nuclear testing and will make it difficult for many Western-oriented countries to oppose the Soviet call for a test ban.

The Japanese UN delegate feels that if both the Soviet, and the American draft resolutions provide for a suspension of nuclear tests, Japan may have to vote for both. In commenting on the draft American resolution, he pointed out that, while linking test cessation to a cutoff in nuclear production was understandable, linking the test cessation to other "unrelated measures" would be more difficult to explain to the Japanese public.

Following up its earlier proposal to enlarge the 12-member UN Disarmament Commission and the five-country subcommittee, India has submitted two draft resolutions, one calling for a nuclear test ban and another for an "immediate" prohibition of all manufacture and use of nuclear weapons. Both resolutions are a mixture of elements acceptable and unacceptable to the West. The Indian resolutions were apparently drawn up in an attempt to compromise between the East and the West.

The USSR on 20 September introduced its draft resolution calling only for a suspension of nuclear tests. It probably hopes to have its resolution voted on first to force such countries as Japan and Norway, which have serious public opinion problems about radiation effects, to support it. If the West is unable to avoid, through tactical maneuvers, a prior vote on the Soviet resolution, some governments which vote against it or abstain probably will be accused at home of favoring continued unrestricted testing.

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"NEW" RESOURCES AND THE SOVIET PLAN REVISION

In the announcement of the Soviet decision to draft a new long-range economic plan for the period 1959-1965, the discovery of "new resources" was cited as an important reason behind the change. However, many of the resources mentioned in the announcement and an accompanying Pravda article--the iron ore and energy resources around Kursk

and Kustanai, tin deposits in the Far East, and various resources in the Urals and Kazakhstan--had already been scheduled for some exploitation under the original Sixth Five-Year Plan (1956-1960).

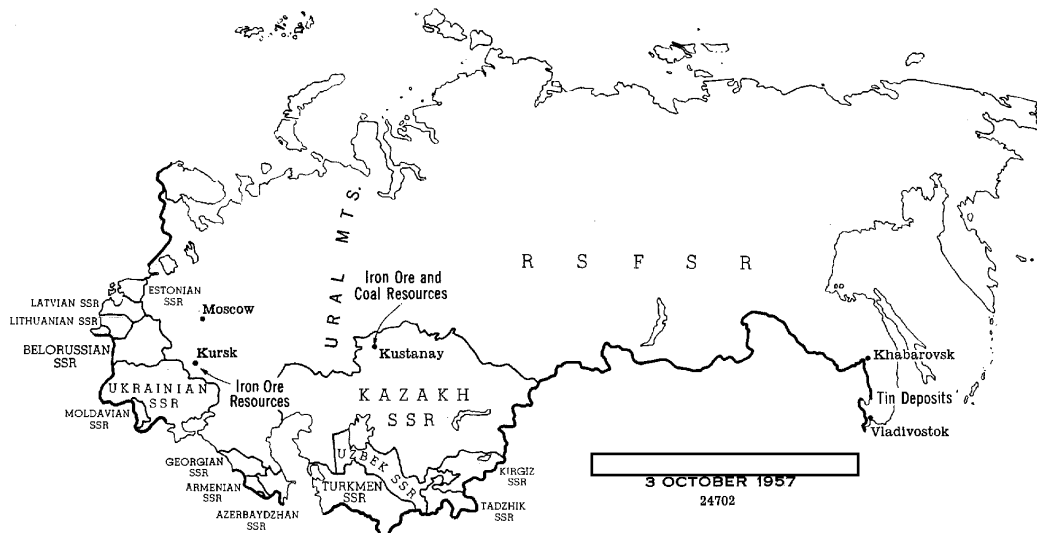
The reference to "new discoveries" introduced an optimistic note in the announcement.

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Without it the other reasons cited as necessitating the change--the effects of the industrial reorganization and the expanded agricultural and housing programs--could have been interpreted as an admission of inability to meet established goals.

The allusion to new resources also serves to cover up shortcomings in earlier investment planning for expanding the raw material base of the economy. The extensive investment program for raw material exploitation which probably will be included in the new seven-year plan will actually serve to correct past planning errors by providing for more rapid development of the so-called "new discoveries." Shortcomings in expanding the raw material base, first evident in 1956, persisted

into mid-1957, when completion of production capacity was reported behind schedule for such crucial items as coal, electric power, cement, and iron ore.

The new planning announcement implies a complete restatement of state economic plans to bring programs in line with the problems and policy shifts appearing since the original draft of the Sixth Five-Year Plan was announced, instead of a "stretch-out" of the fulfillment period of present economic goals. Now that new goals will be established for 1965, comparisons of achievements with goals in 1960 may be glossed over, and any downward revision of rates of growth may be obscured.

(Prepared by ORR)

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## THE SOVIET LEADERS

Most of the top Soviet leaders are absent from Moscow --on vacation, on official trips abroad, or at work in their provincial bailiwicks. Anastas

Mikoyan, assisted by Mikhail Suslov, has apparently been in charge in Khrushchev's absence.

The fact that Mikoyan has been in charge when there have

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been more than the usual number of visiting delegations and diplomatic functions during the vacation period which would normally require the presence of top leaders in Moscow possibly reflects his enhanced prestige in the post-purge Soviet leadership. Suslov's activities during this period also reflect authority and trust

Nikolai Ignatov and Frol Kozlov may be on vacation or at work in their provincial posts, Gorky and Leningrad, respective-

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Leonid Brezhnev and Kliment Voroshilov last appeared in public on 27 August and Otto Kuusinen on 14 September.

Mme. Furtseva traveled to Belgrade on 21 September to accompany her husband, Ambassador Firyubin, on his round of farewell visits. He has been promoted to deputy minister of foreign affairs. The Soviet press publicized her visit and, for the first time, identified her as Firyubin's wife.

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Only five of the 15 party presidium members appear to be in Moscow. These are Mikoyan, Suslov, Nikolai Belyayev, Nikolai Shvernik, and Yekaterina Furtseva, all of whom attended the Chinese Communist embassy's National Day celebration on 1 October. Aleksei Kirichenko is at his home post in the Ukrainian capital of Kiev, Averky Aristov is on a visit to China, and Khrushchev is still on vacation in Yalta. The other seven presidium members, six of whom have not been identified in public for over a month, may also be on vacation.

Bulganin is reportedly on vacation in Sochi. It has not been uncommon for him to combine his vacation with a little entertaining of visiting dignitaries, but he has not done so this year. Khrushchev, on the other hand, has as usual done a fair amount of business at his vacation villa in Yalta. In mid-September he was visited by British Laborite Aneurin Bevan and last week he saw Eleanor Roosevelt.

Travel plans for Aristov and Zhukov make unlikely a central committee plenum this month. Aristov, leading a Supreme Soviet delegation, left Moscow on 28 September for Peiping. The delegation will go on to North Vietnam at the invitation of the Vietnamese National Assembly. Zhukov is scheduled to visit Belgrade on 8 October, returning the visit General Gosniak made to the Soviet Union in June. Gosniak stayed in the USSR about three weeks. Zhukov might be expected to stay in Yugoslavia an equivalent period of time.

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## REORGANIZATION OF THE HUNGARIAN ARMY

In the year since the virtual disintegration of the Hungarian army, the Kadar regime has taken several steps to organize the remnants into an effective force. Hungarian army officials announced early this year that although the army would be smaller than before the revolt, it would be capable of carrying out tactical military assignments, not merely internal security duties, and would be politically more reliable.

In April and May, conscripts born in 1936 were inducted, bringing army strength up to an estimated 75,000. This conscription class is to serve 18 months rather than the normal 24, thereby permitting a return to the prerevolt induction and training schedule which should have begun in November 1956. The 1937 class began preinduction processing on 10 September and may be inducted within the next few weeks. This induction, despite the release of the class of 1935 which has completed a two-year term of service, will bring army strength up to an estimated 100,000.

Loyalty screening appears to have taken place during late November and early December in 1956. In February of this year, 800 Hungarian noncommissioned officers and privates allegedly were sent to Uzhgorod in the USSR for special training by Soviet military instructors and presumably will return to Hungary for the purpose of assisting in rebuilding the Hungarian forces.

Evidence that tactical units are being reactivated in Hungary appeared first in May, when a mechanized regiment consisting of officers of the prerevolt forces and newly inducted enlisted personnel was reported at Piliscsaba. Since then,

the existence of other small tactical units has been reported. Tactical forces are estimated now to consist of one corps, with rifle divisions at Kaposvar, Vecskemet, and Gyonyoer, reportedly at 25-percent strength.

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Field training exercises initiated during the summer are now at the level of small-unit training. Exercises have been undertaken with specialized equipment. Early in September, Hungarian troops were observed training with both T-54 and T-34 Soviet medium tanks under the supervision of a Soviet officer. Although a few T-54 tanks were available at service schools prior to the rebellion, this was the first observation of newer tanks being used by troops. The inclusion of the newer types of heavy equipment in the Hungarian training program--which appears to be making substantial progress under Soviet supervision--reflects increased Soviet confidence in the reliability of the new, carefully screened force.

The combat effectiveness of the army will develop at a pace largely governed by the training progress of the 1937 conscript class and, as a result, will remain insignificant until at least the fall of 1958.

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## USSR EXTENDS NEW LOAN TO EAST GERMANY

Economic agreements signed in Berlin on 27 September by the USSR and East Germany call for a \$5 billion trade volume for 1958 through 1960. The Soviet Union also promised East Germany a credit of \$75,000,000 in freely convertible currency and \$100,000,000 worth of goods during 1958, indicating a continuing East German need for Soviet subsidization to maintain the economy.

The \$5 billion trade turnover in three years would involve an annual increase of only 10 percent over the present level of trade. This increase, limited in contrast to a projected increase for 1957 which may have been set as high as 30 percent, will preclude achievement by East Germany of its Five-Year Plan goal for a 55-percent increase in output, which is predicated on a continuing rate of increase in the level of raw material imports from the USSR.

East German officials reportedly were disappointed with the Khrushchev talks last August because they had expected much greater assistance for economic development than the Russians were willing to pro-

vide. No statement was made at that time on the extension of Soviet credits. The continuing economic difficulties in East Germany may have prompted Moscow to reconsider the East German pleas for economic assistance.

The granting of credits to East Germany has now apparently become an annual necessity. This latest credit brings to \$785,000,000 the total of Soviet grants to East Germany since 1953. At least \$160,000,000 has been in convertible foreign exchange.

The results of the Soviet subsidization of the East German economy have not been spectacular. The USSR must continue pouring money into East Germany in order to provide some modest improvement in the standard of living and thus aid in keeping popular pressure within bounds. Beyond this minimum goal, the outward signs of improvement fail to make the East German state an effective show window of Communist economic achievement, and without Soviet aid, East Germany would provide an even starker comparison between East and West.

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(Prepared by ORR)

## WORLD REACTION TO LITTLE ROCK EVENTS

The events in Little Rock have drawn a record volume of Soviet comment on "Negro persecution" in the United States. Moscow charged on 28 September that Washington's attitude is "really one of connivance" with Southern racial extremists and declared that "US racial discrimination is common to the whole country and has, in fact, become official policy."

Soviet propaganda has attempted to portray Washington's attitude as vacillating and indifferent. Izvestia implied on 27 September that the "barbarian racists" would not have resorted to violence if they had not been aware of Washington's position, "which is far from sincere." President Eisenhower's action in sending federal troops to Little Rock was described as no

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more than an effort to repair the damage done to America's "propaganda image" abroad. This action was characterized as only a "spectacular gesture intended to quiet US and world opinion" and an attempt "to distract attention from the real root of the tragedy by staging a farce" for world opinion.

Soviet radio commentaries have been beamed world-wide, with perhaps some increase in play given broadcasts to Western Europe, where press commentary linking the events in Little Rock with America's position as a leading world power has been seized on by Soviet propagandists.

Non-Communist media in Asia, Africa, and the Middle East have provided Moscow with little support for such propaganda, reporting factually, commenting sparsely, and in some cases praising the President's enforcement action. Moscow's commentaries thus far have not exploited the color-line issue in broadcasting to Asian-African audiences.

Peiping waited until 26 September to report the events, and the next day commented, like Moscow, that President Eisenhower had "frantically" ordered troops to Little Rock because of "unfavorable world opinion" toward the United States. North Korean media, as in similar situations in the past, have been silent on the issue, and North Vietnamese media refrained almost entirely from comment.

The East European satellite radios have for the most part carried only straight news reports on the events. Comment has been the most restrained in Warsaw; that in East Germany has been more virulent than Moscow's. An East German commentary saw a relationship between the American racial problem and the socio-economic structure of the capitalist

system, charging that "the huge profits made by the US combines are in no small measure due to racial inequality." Implying that troops were ordered in only because the United States wishes to silence the "world-wide attention and indignation" the events have aroused, the East Germans also commented that it must be disquieting for some UN delegates to see people of their color "being persecuted" in the country where the assembly meets.

Yugoslav commentators for the most part have confined themselves to factual news accounts and have portrayed President Eisenhower's actions in a favorable light.

In Western Europe, the Manchester Guardian, while calling American race relations the "dark side of the moon," declared that "the dark is thinning" and firmly challenged Communist comparisons of Little Rock to Budapest. Paris radio commentators almost universally deplored the "racist explosion," while virtually all West German papers praised the President's intervention after what many considered undue delay.

Latin American media, traditionally sensitive on US racial problems, have in general been moderate in their coverage. In Africa, reporting in Morocco, Tunisia and Ghana has been moderate and limited to facts, but the tone of the press in Ethiopia was condemnatory. Egyptian and Syrian coverage was extensive and included much anti-American propaganda. South Asian comment was moderate. Press and editorial coverage in Japan reflected sensitivity to racial discrimination and strong Japanese emotionalism because of the historic American exclusion policy. One widely read columnist said that "Negroes are singing their spirituals with shackles still upon them."

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**TUNISIA**

The French government crisis is likely to compound the difficulties facing Tunisian President Bourguiba who, despite mounting criticism within his government, reiterated on 26 September that Tunisia remains aligned with the West. Bourguiba's most pressing problem is to prove to the Tunisians that he can obtain materiel from Western sources to supply the ill-equipped Tunisian security forces. Paris has thus far prevented Tunisia from obtaining arms from Western sources, and concessions to Tunisia are unlikely during the search for a new French government.

Bourguiba seized on a series of violations of the Tunisian border by the French army in Algeria to challenge the French control over sources of equipment for his forces. By accepting a token gift of arms from Egypt and threatening to buy arms from Czechoslovakia, he obtained a temporary lifting of the Western embargo. To assure the success of this gambit, Bourguiba told his people on 26 September that he had an American commitment that arms would reach him by the end of October.

However, Paris withdrew its approval of arms shipments to Tunis by any of France's allies. Foreign Minister Pineau informed the National Assembly on 30 September that another attempt was being made to reach a general understanding with Tunisia. New tension has developed, however, between Tunis and Paris over the 1 October strafing by the French air force of two Tunisian villages, and Bourguiba announced on 3 October the recall of his ambassador to Paris.

Although Bourguiba was initially reported to have readily agreed to a conference with the French, he is not likely to be receptive to French overtures. Since July 1956 he has consistently demanded the evacuation of the French army from all of Tunisia except the strategic base at Bizerte. He is well aware that a conciliatory attitude toward France now would seriously undermine his popular support. If he does not obtain some Western equipment before the end of this month, he probably will seek to buy arms from non-Western sources.   
(Concurred in by ORR)

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**IBERIAN COMMON MARKET DISCUSSIONS**

The discussions in mid-September between cabinet ministers of Spain and Portugal regarding an Iberian common market were brought about largely by concern in the two countries over the effects on their economies of the six-nation European Common Market. The discussions grew out of a meeting held early in July between General Franco and Premier Sala-

zar, who agreed to coordinate policies with respect to the European Common Market.

Both countries recognize the disadvantages of remaining outside the market. At the same time, they fear participation without special provisions to protect their industries, which would require considerable modernization to be able to face foreign competition.

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Portugal is disturbed over the prospect that its overseas territories--whose agricultural exports provide about a fifth of Portugal's foreign exchange--may lose out to the French and Belgian African territories in the projected six-nation trading area.

The Portuguese press has pointed out that an Iberian common market would encounter serious difficulties since the economies of the two countries

are competitive rather than complementary, and Portugal's financial stability contrasts sharply with Spain's inflationary troubles, balance of payment difficulties, and lack of reserves. Some agreement for economic cooperation between the two, however, would improve their bargaining position for working out a relationship with the European Common Market--a point the Spanish cabinet member implicitly made in a press interview following the talks.

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## ARGENTINA'S POLITICAL SITUATION

The provisional government of President Aramburu has gained prestige by weathering the Peronista-backed general strike of 27 September, but is still confronted with serious political and economic problems

demagogues angling for Peronista and Communist support instead of simply revising the constitution and the electoral laws. They are also said to fear the assembly will vote to



ARAMBURU

nationalize oil and power and thus prevent needed foreign investment and impede economic rehabilitation.

At the national labor congress, the Peronista minority succeeded in outmaneuvering the democratically oriented majority

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and on 5 September caused an indefinite recess. The Peronistas apparently hoped to capitalize on their advantage by assuming leadership of the general strike. Although the strike failed when democratic labor leaders pulled out at the last minute, Aramburu's cabinet has been holding emergency sessions in search of a way to satisfy wage demands. The government had decreed a four-month wage freeze early in September as an anti-inflationary measure.

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## COMMUNIST DEVELOPMENTS IN ECUADOR

The influence of Communists in the Ecuadoran labor movement was recently demonstrated by their promotion of a nationwide strike effort which forced the government to capitulate to labor demands. There is serious dissidence, however, within the party and in the Communist-oriented student movement. The government's ouster of Czech legation personnel for alleged involvement in the strike may presage a crackdown on the party.

The Ecuadoran Communist party (PCE) apparently scored a major success in late September when its secretary general and other Communist agitators promoted a general strike attempt in support of striking workers at the American-owned Manabi Oil Company. Endorsed by the Communist-oriented Confederation of Ecuadoran Workers (CTE)--Ecuador's principal labor organization--the nationwide movement was only partially implemented and was opposed by strong non-Communist CTE affiliates. Nevertheless, the strike effort

caused the government serious concern and forced it to dictate a settlement favorable to the strikers--a reversal of the government's original position. As a result, the Communists may be encouraged to exploit the CTE as an instrument for challenging the stability of the anti-Communist regime of President Ponce.

The PCE, which has an estimated strength of 2,000, has also reportedly made progress in developing closer relations with antigovernment political factions, particularly with the Socialist party, which has a sizable Marxist minority. The November local elections may test the extent to which opposition parties will cooperate with the PCE for electoral purposes. These political developments which favor the Communists appear to be neutralized, however, by the recent formation of a dissident Communist faction, led by an expelled PCE leader.

There is also continuing dissension in the Communist-oriented Federation of

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Ecuadoran University Students--the nation's leading student movement--and its two hostile factions have reportedly given notice of disaffiliation from the Communist International Union of Students.

The ouster of the personnel of the Czech legation, the only bloc mission in Ecuador,

is a blow to the PCE's prestige and apparently eliminates a link with international communism. This move, coupled with the expulsion from the country in recent months of three alleged foreign Communist agents, suggests that the government is increasingly aware of the Communist subversive potential and may plan a general crackdown.

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## TURKISH NATIONAL ELECTIONS

Turkey will elect 610 deputies to the 11th Grand National Assembly on 27 October, an increase of 69 over the previous number. The increase is based on the 1955 census, which indicated a total population of over 24,000,000.

The incumbent Democratic party (DP), led by Prime Minister Adnan Menderes, is trying to assure its return to power by adding popular civilian and military leaders to its slate of candidates. All the top military leaders, comparable to the American Joint Chiefs of Staff, have resigned their commissions in order to run for office on the Democratic ticket and give the party badly needed prestige. The party is also trying to forestall cooperation among the major opposition parties to preclude any unified challenge.

The opposition parties have had difficulty in building up their machinery because campaigning in Turkey is illegal except during the 45 days immediately preceding an election. Menderes purposely delayed the official announcement of the election date until 19 September in order to reduce the period in which the opposition could mobilize support. Intensive campaigning will not begin until after 7 October, when the official list of candidates must be complete.

Several plans are under study by the three major opposi-

tion parties in an effort to circumvent the administration's attempt to hamstring collaboration. The so-called "shadow ticket," by which the weaker parties in each district would list nonentities who would detract little if any from the vote of the strongest opposition party, appears to have the most support.

The principal issues before the Turkish electorate include the high and rising cost of living, shortages of consumer goods, poor government planning in urban development, and repression of speech, assembly, press, and the judiciary. The government's attitude toward Islamic revival in Turkey and toward labor's right to strike may also become prominent issues.

As in previous elections, the peasant vote--approximately 75 percent--will probably be the determining factor. Because the peasants continue under the Democratic regime to be exempt from an income tax and are favored by price supports, they traditionally favor the Democratic party. Living in villages, they are relatively unaffected by adverse factors in the regime's program. There is, however, no informed opinion on their present political thought.

Whichever party wins, Turkish-American relations will probably be relatively unaffected.

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**KABUL IS CONSIDERING NEW OIL DEVELOPMENT SCHEMES**

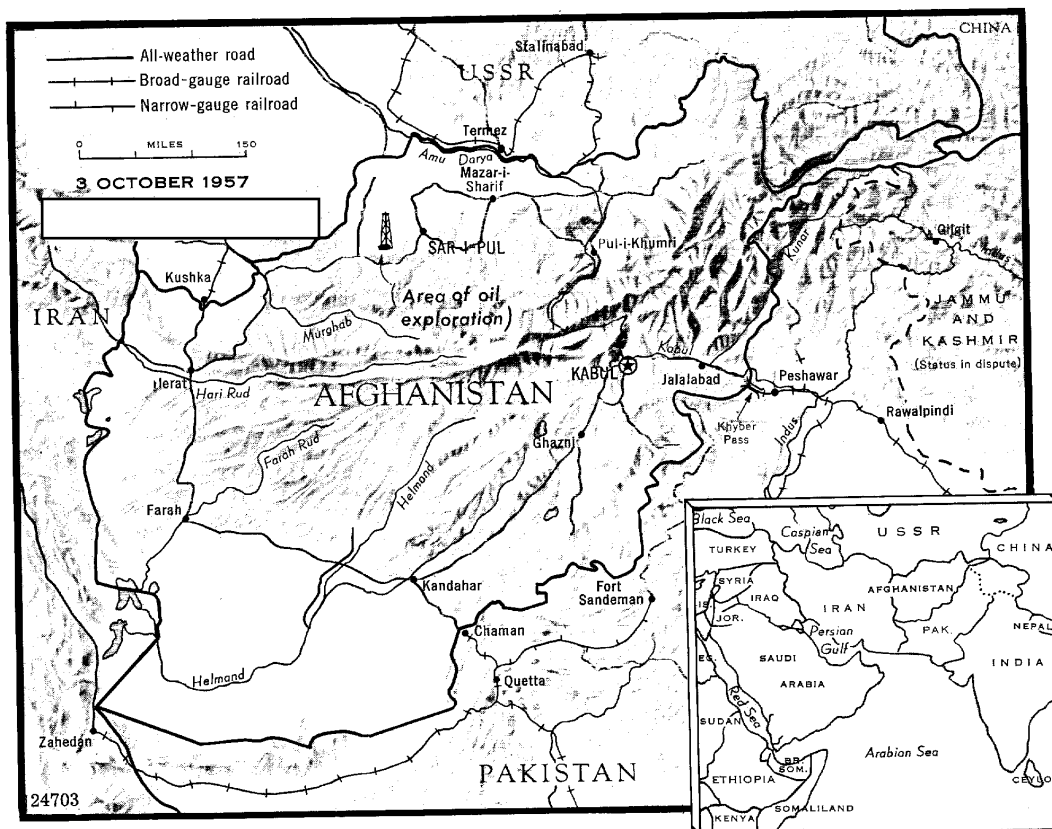
The subject of developing suspected oil resources in northern Afghanistan is apparently again under active consideration in Kabul. The USSR reportedly has presented a comprehensive new plan for Afghan oil exploitation, and Kabul may be attracted by the offer, which promises to end its dependence on imports for oil supplies.

The Afghans have long hoped that surface indications of oil in the north marked the presence of petroleum in quantities sufficient to feed the Afghan transportation system, which relies almost entirely on motor vehicles. Moscow has for years sought exploitation rights in this area. In 1952, however, following Soviet protests

against Afghan plans for drilling by a French firm, the Afghans assigned the job to a "neutral" Swedish concern.

The failure of this concern to strike significant quantities of oil during the past year and a half may be partially responsible for reopening the question. An Afghan request in early 1956 for Stanvac and Caltex to establish distributorships in southern Afghanistan probably also stimulated the USSR to renewed activity. Furthermore, Afghan foreign exchange difficulties may have interested Kabul in new ways of saving money.

The USSR has now reportedly proposed a long-term development plan to implement the

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general Afghan-Soviet oil development agreement announced on 30 July. [redacted]

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[redacted] Recently the USSR also proposed to take over all gasoline marketing in northern Afghanistan.

[redacted]

Western oil companies have avoided Afghan oil development as unecopomical in terms of world markets. Moscow's interest --aside from the political angle --may stem from the fact that there are a small field and a refinery in the USSR near the Afghan border and that any unrefined Afghan oil products, either before or after the construction of a small refinery, might be expected to move northward. If a refinery is built, Kabul probably would hope to control its own industry and distribute its own products through the government transportation monopoly. [redacted]  
(Concurred in by ORR)

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## LAOS

The six-man "emergency" cabinet of Premier Souvanna Phouma that has been governing Laos since 9 August is to be expanded in early October, but the prospects for a settlement of the Pathet Lao problem remain dim. The chief mission of the present cabinet was to obtain a constitutional revision to permit the overthrow and investiture of governments by a simple majority vote in the National Assembly in order to undercut the power of minor parties. This was accomplished on 30 August.

The expanded government will probably be based on the present alliance between the moderate Nationalist and Independent parties, which together form a majority in the assembly. Conservative leaders Interior Minister Katay and Foreign Minister Phoui Sananikone will

probably remain the dominant figures in the cabinet and will continue to restrain Souvanna from agreeing to a settlement with the Pathet Lao which does not contain adequate safeguards of the royal government's interests. There is, however, the prospect that the political jockeying for portfolios will place a heavy strain on the alliance between Phoui and Katay.

Negotiations between the royal government and the Pathet Lao were resumed on 16 September. Pathet chief Souphannouvong has adopted a conciliatory pose since his return to Vientiane from his Sam Neua headquarters on 23 September. He has alluded to the two-month deadline for negotiating a solution to the Pathet problem set by the Souvanna government at the time of its investiture on 9 August and has indicated that he is under

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pressure to reach a settlement within that time.

Despite their public pose of conciliation, there has been no indication in the negotiating commission that the Pathets are prepared to make significant concessions to the government. In fact, Souphannouvong stated in an 11 September speech that restoration of government

control over the two disputed provinces must take place simultaneously with, rather than prior to, the establishment of a coalition government. The Pathets, however, may be expected to maintain a climate favorable for negotiations while attempting to build popular pressure for a settlement on Pathet terms.

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## SOUTH VIETNAM

South Vietnam's President Diem and other top officials have vigorously sought in the past several months to increase their country's prestige. Diem is also attempting to quicken the pace of economic development in South Vietnam and to head off incipient political discontent.

Since his trip to the United States last May, Diem has paid successful state visits to Thailand, Australia, and South Korea. In early November, he is scheduled to visit India and confer with Prime Minister Nehru. While disdainful of India's "unrealistic" neutralism, Diem hopes to enlist Nehru's moral support for South Vietnam's status as a sovereign state and for its claim to represent true nationalism throughout Vietnam.

On the domestic front, Diem continues to feel that programs designed to promote stability in South Vietnam are moving too slowly. He has always held that Vietnam will not remain divided forever, and that if the South is to win out over the North, it must out-

strip the Communists in economic development.

To help achieve this goal, Diem is now placing major emphasis on the rapid economic development of the remote high plateau region in the northwest which borders on Cambodia, Laos, and North Vietnam. He hopes to resettle in this strategic but underpopulated region some 100,000 anti-Communist farmers and military veterans who would constitute a "human wall" against Communist infiltration and subversion. The President regards this project, which began last spring, as so important that he has repeatedly stated that the very existence of South Vietnam's government depends on its successful implementation.

There are indications the South Vietnamese government may also be increasingly troubled by what appears to be a developing undercurrent of resentment over its tight political controls. The local Chinese are undoubtedly still smarting under the various decrees forcing them to adopt Vietnamese citizenship or suffer severe restrictions on their means of livelihood. Vietnamese

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discontent has also been indicated by newspaper articles written with an antigovernment slant. This sentiment may have been hardened by the recent

destruction of the printing plants of two papers publishing such articles by mobs which, if not organized by the government, operated without interference from the police. [REDACTED]

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## JAPANESE PROPOSALS IN TRADE DISCUSSIONS WITH PEIPING

Japanese negotiators at trade discussions under way in Peiping have proposed an exchange of permanent trade missions between Japan and Communist China and have outlined entry and operating privileges for these missions. [REDACTED]

within Japan, and exemption from customs duties and taxes. To emphasize the "nonofficial" status of the missions, national flags would not be displayed outside mission offices.

Peiping has made no specific response to the Japanese proposals, made public as early as 2 September, and renewed Chinese propaganda attacks on the Kishi government for its pro-American and allegedly anti-Peiping policies suggest that Peiping does not intend to conclude an agreement without further concessions.

Tokyo's figure of a \$90,-000,000 trade volume each way is essentially an exploratory move. Japan has not achieved lower export goals set in previous agreements, largely because of Peiping's refusal to deliver iron ore and significant quantities of coal unless exchanged for Japanese products which have been, or remain, embargoed for shipment to Communist China. Moreover, Japanese exports to the China mainland, which totaled \$67,000,000 in 1956, declined slightly during early 1957, and, ironically, dropped sharply after Tokyo abolished the CHINCOM differential. Peiping has announced that because of increased domestic requirements, its foreign trade in 1957 would fall below the level of last year. [REDACTED]

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The Japanese delegation ostensibly represents private trade organizations which have concluded three previous trade agreements with Peiping. In fact, however, it is acting with the semiofficial backing of Prime Minister Kishi's government.

The initial Japanese proposals call for an exchange of trade missions of no more than ten members each. Five of the Chinese members would be exempted from the fingerprinting ordinarily required of nonofficial aliens under Japanese law. [REDACTED]

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## CHINESE COMMUNIST NATIONAL DAY FESTIVITIES

The major themes of the celebration on 1 October of Communist China's eighth anniversary of the founding of the regime were the rapid strides made in socialization, China's enhanced international status, and the need to continue on the "socialist path." As in previous years, Mao Tse-tung was the central figure. His role makes it clear that in Chinese Communist eyes, Mao's importance as a national symbol has not diminished as a result of troubles caused by policies which he has personally sponsored.

In contrast with the celebration last year, which was marked by an air of brash optimism, the mood of this year was more sober, though still confident. Chinese Communist spokesmen, including Premier Chou En-lai, frankly admitted that the regime had run into difficulty with its domestic program but asserted that solutions were being worked out. In a speech to visiting dignitaries on the eve of the holiday, Chou boasted of Peiping's success in "smashing" its domestic critics.

Banners and placards carried by marchers called for a "struggle to the end" against rightist enemies--a sharp change from the "liberalization" line which was current last year. Mao's "hundred flowers" slogan, however, was used again this year in what appears to have been an effort to persuade foreign guests that the present antirightist campaign will continue as a "nationwide debate" and not a blood purge.

Achievements in fulfilling China's First Five-Year Plan (1953-1957) were publicized. The average annual increase in the total value of industrial production during the plan

period was given as 17.4 percent. But heavy industry's advance was more rapid, with an annual rate of 23.7 percent as against a yearly increase of 12.4 percent for light industry and 4.8 percent for agriculture.

Although stating that two or three more five-year plans will be needed to make China into a "modern, industrialized country," Peiping gave no hint that it had completed a final draft of its Second Five-Year Plan (1958-1962), although the original proposals were made more than a year ago at the eighth party congress. The People's Daily said it is necessary to make great efforts to speed up the development of agriculture, which is "lagging badly" behind the rest of the economy. The daily stated that, where appropriate, proportionately more should be invested in agriculture, but added a limitation--that such spending must be on a basis "ensuring steady progress in industry."

Aside from Defense Minister Peng's exhortation to his troops to "strive" for the "liberation" of Taiwan, scant attention was given this subject. Chou and other top leaders scored the "hostile" policies of the United States, and it was frequently claimed that "no force on earth can prevent China from playing a key role in international affairs." Speakers avowed Communist China's support for Syria, Egypt, Oman, and Algeria in their "struggles against imperialism."

The featured foreign notable in attendance was Premier Kadar of Hungary. His appearance in Peiping was probably aimed at boosting his standing within the bloc, with his own party, and among neutralist countries.

(Prepared jointly with ORR)

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## CHINESE COMMUNISTS STRESS HOMEMAKING ROLE OF WOMEN

Speeches by government and party leaders at the national women's conference, which ended on 20 September in Peiping, suggest that the Chinese Communists have decided to encourage women to get out of the factory and back into the kitchen. Party Vice Chairman Chu Teh told delegates to the conference that although women had made a valuable contribution to the work for national construction, their "primary" responsibilities are in the home. Women were told that it is wrong to despise domestic tasks and assured that managing a household efficiently is important to the success of "socialist construction."

This is a reversal of Peiping's policy of "emancipation" --adopted as a revolutionary tactic--which has brought increasing numbers of women into industry, politics, and government since 1949. The first major legislation enacted by the Communist regime was the 1950 marriage law which prohibited marital customs that forced Chinese women into a subservient role. Arguing that equality means equal participation in "production," the Communists urged women to take their place in the nation's labor force. Despite a certain amount of bitter resistance to these unprecedented measures, large numbers of women responded with enthusiasm.

Since 1949, the number of women in industry has increased fivefold, and they now make up 14 percent of the industrial labor force--substantial for China, though still considerably below the 45 percent figure in the Soviet Union. Reports made at the women's congress reveal that three fourths of China's agricultural cooperatives now have women as managers or assistant managers. Four

women have attained cabinet rank in the government and 10 percent of Chinese Communist party members are women. Most are working as low-level cadres, but four women hold full membership on the party central committee.

Despite these advances, years of Communist-style "equality" have apparently taken much of the tinsel off Peiping's "liberation" policy. According to a recent report, women workers in Shanghai are increasingly dissatisfied because they have no time to care for their children or do their housework.

More than a year ago, the regime took steps to ameliorate the lot of working women and to brighten their lives by making concessions to feminine vanity. Fashion shows were held in China's principal cities for the first time since the Communist takeover. Women have been assured that a liking for bright garments does not indicate a "bourgeois outlook," and Peiping no longer insists that women wear the drab padded coveralls which made it difficult to distinguish one sex from the other. Last summer the official People's Daily for the first time carried an advertisement for cosmetics.

Peiping's new policy is probably prompted by a desire to restore social stability, which the Communists deliberately upset by smashing the "feudal" family system during the violent initial phases of the revolution. The regime is apparently attempting to rehabilitate the family as a "socialist" institution modeled on Western lines. Another factor may be a desire to limit additions to the already glutted labor force. Whatever success the new policy may achieve, it seems likely to complicate the larger problem of holding down population growth.

(Concurred in by ORR)

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### PART III

#### PATTERNS AND PERSPECTIVES

##### KHRUSHCHEV REVAMPS SOVIET COMMUNIST PARTY

In his efforts to make the Soviet Communist party a more effective instrument for political control and administration, First Secretary Khrushchev is streamlining the party's structure and attempting to instill party workers with greater enthusiasm for its objectives. Not only is he placing members of the party apparatus in positions of control in industrial and agricultural enterprises, but he is transferring additional party careerists to key government and economic positions. He has sought to reduce popular antagonism toward the party, to bring in more rank-and-file workers, women, and young people, and to improve party members' morale, technical competence, and sense of responsibility.

Khrushchev apparently seeks to reduce the popular antagonism toward the party and foot-dragging within it which were prevalent under Stalin and to restore the party as the heart of Soviet society by winning the people over to his program.

##### Broadening the Party's Base

Under Khrushchev the party has grown at a striking rate. At the 20th party congress in February 1956, Khrushchev reported a membership of 7,215,505. Pravda asserted on 15 September 1957 that the party numbered "about 8,000,000." These figures would indicate a growth of almost 10 percent in 19 months, contrasting with a growth of only about 5 percent in a period twice as long between October 1952 and February 1956.

In his attempt to increase popular support for the party, Khrushchev has striven to recruit into it selected members

from social groups which were poorly represented under Stalin--peasants, rank-and-file industrial workers, women, and young people.

At the 20th party congress, it was reported that the rural party organizations had been strengthened: primary party organizations on collective farms had risen in number from 76,355 to 80,015 since the 19th congress in October 1952--a figure which still left over 7,000 collective farms still outside the party. A substantial number of new party groups have been set up in the New Lands; as of February 1956, for example, 338 new party organizations had appeared on state farms in Kazakhstan and the Altai Krai.

Party Secretary Aristov reported to the 20th congress that over 1,400,000 party members were women, 95,000 more than in 1952. Following the congress, Yekaterina Furtseva was elected a candidate member of the presidium, the first woman on the highest party body. At the June plenum, she was elevated to full membership. Aristov also stated that over 20 percent of the voting delegates to the 20th congress were under 40 years of age and 56 percent between 40 and 50.

The number of rank-and-file industrial and kolkhoz workers admitted does not appear to have been sufficient to overcome the preponderance of administrative personnel in the party. The Soviet press reports that the annual rate of admission of rank-and-file industrial and kolkhoz workers into the party has declined since 1955.

The social composition of the party in 1956 is believed to have been as follows:

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Supervisors or managers in industry, agriculture, or political and administrative hierarchies	48%
Police and armed forces	14%
Workers in education, medicine, or scientific research	10%
Rank-and-file industrial workers	18%
Rank-and-file agricultural workers	10%

Khrushchev has strengthened the party--at the expense of the secret police, the economic planners, and government bureaucracy--by placing party careerists in many key positions throughout the government and economic apparatus. To date, several party functionaries have been appointed to the new Councils of National Economy (sovnarkhozy), possibly presaging a trend.

Administrative Changes

Khrushchev spoke emphatically at the 20th party congress of the need to reassign party office workers to field work so as to improve the "cumbersome" party apparatus: "One cannot tolerate further a situation in which many workers of the party apparatus, instead of being amid the masses day after day, lock themselves in offices and issue resolutions while life goes past them."

The official journal Party Life announced in May 1956 that administrative personnel throughout the party apparatus would be reduced some 20 to 30 percent. In the succeeding 12 months, the number of workers in the central party administration was cut and many members, including some highly placed, were transferred to rural raion committees and industrial and agricultural work in the provinces. In Tadzhikistan, where the first

known republic-wide reorganization of the party apparatus has been carried out, apparently as a test case, the central committee staff was reduced by 88 persons and staffs of raion and city committees by almost 30 percent.

Administrative personnel in raion and city party committees throughout the USSR have been reduced in number and given more responsibility with the abolition of functional departments, such as those for industry or agriculture, and subordination of the individual "instructors"--working-level party functionaries--directly to the raion party secretariat. Each instructor is to be in charge of all phases of the work of the primary party organization or organizations assigned him.

Khrushchev's reorganization of industrial management has created additional responsibilities for republic and oblast party organizations. The party worker's participation in economic activity was underscored by Khrushchev at the 20th party congress: "The party demands that party cadres not separate party work from economic work and that they supervise the economy in a concrete and competent manner. Officials who are incapable of leading the struggle for advancing the economy must be replaced...."

The local party secretary, who heretofore had only to ensure that the enterprises within his bailiwick adhered to the letter of central directives, must now be competent in a sufficiently wide range of technical fields to judge whether the plant director, sovnarkhoz chairman, or office manager is exercising "reasonable" initiative in using his newly granted administrative authority.

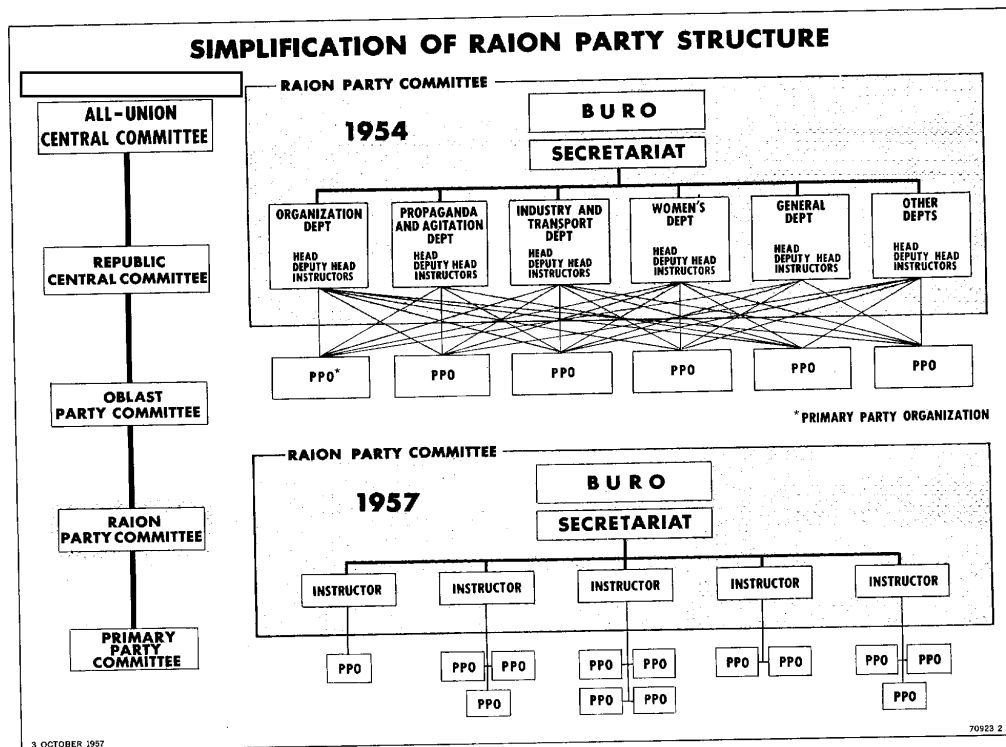
As the sovnarkhozy take over guidance of the technical and financial activities of many

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complex enterprises, the local party personnel must correspondingly raise their technical, administrative, and economic capabilities in order to monitor the daily work of the sovnarkhozy and aid in the drafting of their yearly economic plans.

#### The Cult of Lenin

Khrushchev's speeches and official propaganda have proclaimed each new party policy and administrative changes as being in the spirit of Lenin. In substituting a "cult of Lenin" for the discarded "cult of Stalin," Khrushchev has cited the "sacred Leninist principles" of party unity and democratic centralism, whereby lower organs which "democratically" elect higher bodies must follow implicitly the decisions of the central party leadership. He has described the party as the advance guard which leads society by example and exhortation rather than by terror and coercion.

Soviet leaders have always used Lenin's writings to justify any and every policy. Khrushchev probably sees in Lenin's management of the party certain practical techniques and policies which could profitably be dusted off, touched up a bit, and used today.

#### Party Discipline and Morale

The regime is attempting to persuade the party member that his party status involves a duty to society and is not a privileged rank. The party functionary is subject to conflicting pressures: from above, to mingle with the population and improve the party's relations and to see that the plan is fulfilled; from below, to deal sympathetically with popular needs and to identify himself with the segment of the economy or area to which he is assigned. His job is thus far more time-consuming and exacting than it was when he could sit at a desk,

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berate subordinates, and issue orders, as he did under Stalin.

The regime is attempting to improve morale and create in the party worker a feeling of security. The press records the expulsion from the party of many members who made false charges against party members or ordinary citizens, and carries reports of reinstatements in the party of victims of the purges of the 1930's. Also being reinstated in the party are Communists expelled by Stalin because they were captured

by the Germans during World War II or were members of suspect minority nationalities.

Measures taken thus far by Khrushchev may improve party operations, at least over the short run. However, the problems of apathy toward party leadership, more active questioning of the Soviet system by intellectuals and students, and bureaucratic lethargy and corruption at all levels of the party are too deep-seated to be overcome by these tactics alone.

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## ZHUKOV'S VIEWS ON MODERN WARFARE

The growing Soviet military capability has been reflected in a series of recent public and private statements by Marshal Zhukov in support of the Khrushchev regime's foreign policy. While Zhukov had previously refrained from stressing Soviet nuclear capability and had emphasized instead the importance of "conventional" weapons, he now speaks of the "unavoidability" of using nuclear weapons in a future war.

Zhukov's earliest statements after his return to prominence in 1953 were remarkable for their avoidance of extravagant claims of Soviet military prowess. His first public reference to Soviet nuclear strength--in his interview with American journalists in February 1955--was accompanied by an emphasis on mutual losses. It was at the 20th party congress in February 1956 that Zhukov for the first time intimated that the USSR could more than hold its own in trading nuclear blows with the West.

"If one wants to deliver atomic blows on an enemy," he warned, "then he must be prepared to receive the same, and perhaps more powerful blows on his part." During his tour of India and Burma in January 1957, he went further by stating that the USSR could deliver atomic and hydrogen bombs "to the farthest corners of the globe"; and, on 16 March, addressing an army conference, "to any enemy, wherever he hides."

Zhukov's apparent change of attitude must stem, in part, from the growing Soviet capability in modern warfare. His public statements since 1956 have shown increasing confidence in that capability.

In the 16 March speech, the role of nuclear weapons in a future war was given greater significance than in any previous pronouncement by a Soviet leader. Zhukov predicted that nuclear weapons will "inevitably" be brought into action as "the basic means of striking" in any major armed conflict, and he

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became the first authoritative Soviet spokesman to suggest publicly that the powers possessing nuclear weapons are fast approaching the point at which use of these weapons in war would be unavoidable. He repeated this general line to the Yugoslav military delegation in June.

Last May, Zhukov emphasized the critical importance of missiles development to Soviet strategy, stating that military bases "ringing the Soviet Union and people's democracies...have lost their meaning with the appearance of guided missiles and other rockets of great destructive power, speed, and accuracy."

In a statement which Zhukov undoubtedly approved, Soviet Air Marshal Vershinin on 8 September said that American "air doctrine" to the effect that it is possible to destroy the USSR by a lightning stroke is obsolete, and that the United States now is vulnerable to destruction because long distance is not a defense in modern warfare. This was just after the Soviet announcement of the first launching of the intercontinental ballistic missile.

While Zhukov continues to be a strong advocate of the combined arms concept, he has demonstrated a high degree of receptiveness to new methods

as well as an awareness of the problems accompanying the rapidly developing weapons technology.

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Despite Zhukov's increasingly confident statements about nuclear capabilities, he has consistently acknowledged that the United States has the capability to inflict nuclear blows on the USSR. In 1954, when he must have been aware of the sensitivity of the subject of the destructive effects of a new war on the USSR, Zhukov warned that war "means heavy losses for both sides." In April 1955 he again referred to mutual destruction; and as late as May 1957, at a Hungarian reception in Budapest, he stated that nuclear warfare could be dangerous for all mankind.

With respect to such key questions of strategy as the relative importance of surprise attack, Zhukov has not taken a public stand. In 1955, while other top Soviet marshals were upgrading the significance of surprise, Zhukov did not commit himself.

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## KURDISH TRIBES MAY ADD TO TENSION IN MIDDLE EAST

In recent months the Iranian government has become concerned over the possibility that the USSR and Syria may use Kurdish tribesmen to create new frictions in the Middle East.

Tehran's alarm over possible difficulties with the Kurds is reflected by its recent reinforcement of border guards along its northwestern frontier.

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Although the introduction of Kurds to harass Iran or Iraq at this time does not seem to be in line with the USSR's present Middle Eastern policy of denouncing outside intervention in internal affairs of the area and of proclaiming willingness to "coexist" with all the legal governments

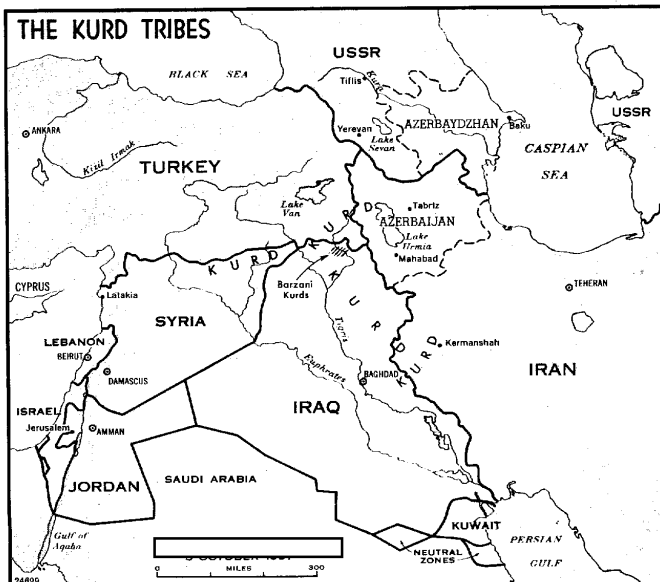


BARZANI

on the Iranian and Iraqi frontier rebel simultaneously with a Communist revolt which took place in Azerbaijan Province in northwestern Iran. Moscow encouraged dissidents to set up a government in Iranian Azerbaijan, while Qazi Mohammed, local judge who had been indoctrinated in Baku, capital of the Azerbaydzhani SSR, was picked to lead the Kurdish movement. Qazi became the leader of a Kurdish democratic party and was reinforced in October 1945 by 3,000 Iraqi Kurds under Barzani, who had just led an unsuccessful rebellion against the Iraqi government.

Iran is especially sensitive because Mullah Mustafa Barzani, leader of the Barzani Kurdish tribe of Iraq, helped organize a Soviet-sponsored Kurdish republic in Iran with some 3,000 Iraqi Kurds in 1945-46.

The USSR had planned in 1944 to have the Kurdish tribes



After Tabriz and much of the northern part of Iran's Azerbaijan Province were taken over by local Communists with Soviet support in mid-December 1945, Qazi in a separate action proclaimed a Kurdish People's Republic in the southern part of present-day Azerbaijan Province which included territory within a radius of about 48 miles from Mahabad. A "national parliament"

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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was formed in January 1946, Qazi was elected president, and five tribal leaders in Soviet union forms were appointed cabinet ministers and marshals. Tabriz radio announced that a treaty of mutual assistance existed between the Communist regime in Iranian Azerbaijan and Qazi's "national government of Kurdistan."

A widespread Kurdish revolt to support Qazi did not occur and Tabriz was retaken by Iranian armed forces on 13 December 1946. Qazi and Barzani surrendered the following month. Qazi was executed; Barzani escaped to Soviet Azerbaijan with some of his followers.

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## ITALY'S ECONOMIC OUTLOOK

Italy, which required unusually heavy American economic aid in the postwar era, has in the past few years shown striking increases in over-all production. With gradually rising gold and dollar reserves, Italy has been relatively free of the serious financial difficulties recently plaguing Britain and France. A continued increase in the rate of growth is being inhibited, however, by serious fundamental defects in the economy which are reflected in a persistently high level of unemployment and a wide disparity

in the economic development between the northern and southern parts of the country.

Economic Progress

Helped by postwar American economic assistance, Italy showed an increase of over 65 percent in its gross national product from 1950 to 1955. The 1956 rate of growth was somewhat slower, resulting from a poor year for agriculture, which contributes nearly one fifth of the gross national product. Preliminary data for 1957 indicate

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that the expansion of industrial production is continuing and that adverse weather is again handicapping agriculture.

**Continued Basic Difficulties**

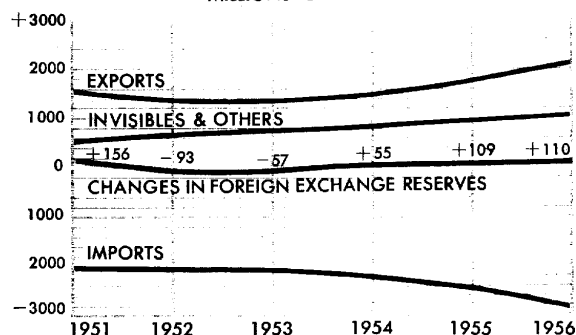
Despite these indications of expansion and strength, however, the Italian economy continues to be troubled by such fundamental defects as inadequate natural resources, overdependence on an inefficient agriculture, and an excess of population in relation to the present organization of both agriculture and industry. These defects are seen most strikingly in Italy's continuing high level of unemployment and in the extent to which southern Italy lags behind the rest of the country in economic development.

Both situations have been major targets for Communist political exploitation.

The government's efforts to reduce unemployment and the gap between north and south have been mapped out in the "Vanoni Plan," originally adopted when the late Ezio Vanoni was

**ITALY: BALANCE OF PAYMENTS**

MILLIONS OF DOLLARS



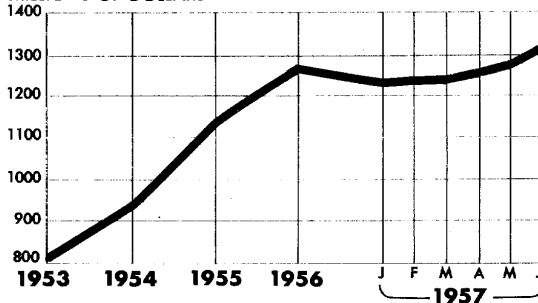
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Relative monetary and price stability has prevailed since 1949, and Italy has suffered markedly less than most other Western European countries from the inflation of the past two years. There is considerable concern over Italy's continuing deficit in its trade with the other Western European countries, but invisible items such as shipping earnings and immigrant remittances go far to redress the over-all balance of payments. For the immediate future, imports are expected to increase at a greater rate than exports, but income from invisibles and private foreign investment is expected to increase even more. Gold and dollar reserves have shown a slow but steady improvement for several years and are at present considered adequate for Italy's needs.

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**ITALY: GOLD AND DOLLAR RESERVES**

MILLIONS OF DOLLARS



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finance minister in 1955. This is not a detailed economic program on the Soviet pattern, but is rather a statement of the

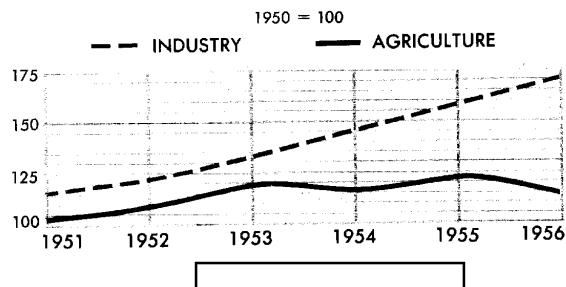
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problems to be attacked and of goals which the government and private industry may, by cooperative efforts, attain by the end of 1964. Its implementation depends in large part on the availability of private capital for the substantial new investments envisaged.

**ITALY: PRODUCTION INDEXES**Unemployment

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In the past two years some progress has been made toward reducing the large number of unemployed. Since 1950 the economy has been able to absorb the 200,000 annual increment to the labor force, and since 1955 about 300,000 formerly unemployed have found jobs. Nevertheless, there are still approximately 2,000,000 idle out

of a total labor force of 20,000,000, and perhaps another 2,000,000 are underemployed. This problem was inherited from the fascist period when large-scale emigration had ceased and the government still encouraged a high birth rate. It has been an important contributing factor to the appeal of extremist political parties in postwar Italy.

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The Vanoni Plan estimates that to eliminate unemployment by the end of 1964, 4,000,000 new jobs must be created. The increased freedom for labor to migrate promised under the European Common Market may improve somewhat the chances of solving the unemployment problem.

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The South

Italy's most difficult problem is the discrepancy in economic development between the north and south. Although 38 percent of the population lives in the southern part of the peninsula and in Sicily and Sardinia, these areas produce only 20 percent of the national income. Aside

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from the important political and social reasons for bridging this gap, there is sound economic justification for increased investment, particularly in southern agriculture, which could utilize neglected natural and human resources.

The Vanoni Plan envisages an approximate average rate of increase in income over the ten-year period of 4 percent for the north and 7 percent for the south; but in the past two years private capital has continued to prefer the opportunities offered in the north and the resulting increase in production has been the same for both areas--about 5.5 to 6 percent. Thus the "plan" is not yet going according to schedule in the south, and the gap has not begun to close, although a specialized government agency, the Fund for the South, expects to channel public investment totaling three billion dollars into the area between 1955 and 1964. Eventually these government initiatives should stimulate some industry in the south, but the point at which the process will

continue on its own strength is still a long way off.

Prospects

European economic integration, particularly the Common Market, is expected both to improve Italy's balance of payments position and to reduce the number of unemployed. An additional factor improving the unemployment situation is the continuing decrease in the birth rate, which is expected--even without further emigration--to leave the population in 1965 almost stable at around 51,000,000. The gap in income level between north and south is a long-range problem, however.

The inadequacy of Italy's natural resources, moreover, leaves its continued economic expansion unusually subject to circumstances beyond its control. Improvement of Italy's foreign trade position thus depends in large part on continuation of international trade liberalization--a situation reflected in Italy's persistent interest in the European Common Market.

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**TRANSPORTATION ON CHINA'S HIGHWAYS**

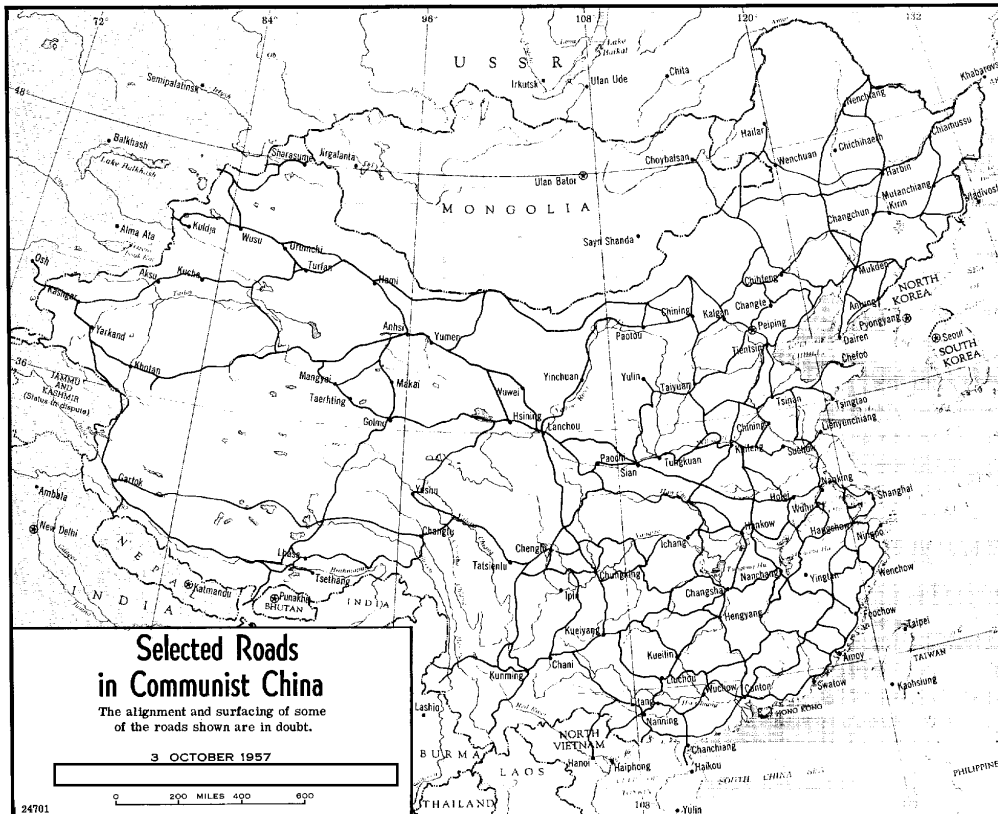
The highways of China provide vital services in local short-haul movements of goods, as feeders for the railroads and waterways, and for long-distance hauling in areas not served by either railroads or waterways. Present and expected inadequacies in the nation's supply of liquid fuels, however, led Po I-po, a top economic planner, to observe recently that there is "no possibility of developing truck transport on a large scale for some time to come." Since the demands on highway transport are rapidly

increasing, the authorities are now suggesting that fuller use be made of China's ancient means of transport--carts, wheelbarrows, pack animals, and human carriers.

Since coming to power, the Chinese Communists have built and repaired highways throughout the country. Peiping says it has increased the length of "usable highways" from 47,000 miles in 1949 to 137,000 miles at the end of 1956.

Plans call for the building and opening to traffic of just

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over 700 miles of new highway trunk lines during 1957. According to the proposals for the Second Five-Year Plan (1958-1962) submitted a year ago at the eighth party congress, 9,300 to 11,250 miles of trunk highways will be constructed or reconstructed during the plan period, and cart roads, tracks, and trails will be built "in accordance with local needs."

Road building has been concentrated in western China, especially into and within minority areas such as Tibet. Strategic roads have been built to improve Peiping's access to its southern and southwestern borders, while the development of the road net in some areas, such as Fukien Province, was probably motivated largely by military needs. Some of the roads--for example, the highways

leading into Tibet from Szechwan, Tsinghai and, more recently, Sinkiang--were probably built as much in answer to Peiping's need to enhance its political control as for economic reasons.

In addition to the highways which can handle trucks and buses, China has thousands of miles of cart roads and trails which are the only means of access to many remote and rugged sections of the country. Peiping has also been active in building and improving these "simple highways."

#### Truck Transport

Despite a nearly tenfold increase in the freight carried by the nation's trucks since 1949, there has been a growth in the number of complaints concerning the inadequacy of the

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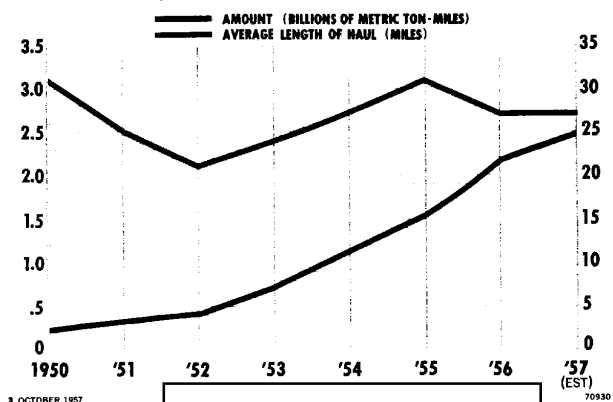
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service offered. The State Council has observed that the trucking shortage has adversely affected "factory and farm production, and capital construction projects, as well as the life of the people." There is apparently little prospect that this situation will materially improve in the immediate future.

China has about 145,000 trucks, equally divided between military and civilian control. Of this total, 40,000 reportedly have been imported in the past several years. The extreme heterogeneity of this truck park seriously complicates and increases the expense of its maintenance. As a short-term palliative, the authorities are promoting the exchange of trucks between areas in order to reduce the variety in any given place. The long-term solution will come when this mixed and often obsolete collection of trucks

**CHINA: TRUCK TRANSPORT**

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can be replaced through standardized domestic production.

Communist China began domestic production of trucks in October 1956 at the new motor vehicle plant in Changchun. Since then the plant has turned out 5,500 modified ZIS-150, four-ton trucks. The plant is designed to produce 30,000 trucks a year, but if domestic petroleum shortages seriously retard the development of truck transport, as suggested by Po I-po, the



Native Carriers in Sinkiang.



ZIS Truck Assembly Plant in Changchun.

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Chinese Communists may soon be producing a surplus of trucks, which would be sold in neighboring underdeveloped countries.

Native Transport

The importance and persistence in the Chinese economy of nonmechanized means of transport--carts, wheelbarrows, pack animals, and human backs--has often been underestimated, not only by foreigners, but by the Communist leaders as well. This type of transport performs extremely important services over the short distances between farm and village and between village and market town. The Chinese Communists now admit that a major cause of the transport tie-up in 1956 was the shrinkage of native transport, resulting in part from dislocations accompanying the collectivization of agriculture in the winter of 1955-56. Of the total ton-miles of freight carried in 1955, native transport

accounted for 43 percent and in 1956, 34 percent. Even so, short-haul, animal-drawn vehicles moved 298,000,000 tons of cargo in 1956.

Awakening to the importance of this reservoir of transport capacity, Peiping has recently been pouring out a steady flow of editorials urging its fuller utilization. Wang Shou-tao, in charge of the Sixth Staff Office of the State Council--which deals in transportation and communications, has asserted that the over 5,000,000 animal-drawn and more than 10,000,000 man-drawn vehicles in the country will continue to occupy an important place in the total transport picture for a long time. The increased stress on native means of carrying cargo is in keeping with recent moves to place greater emphasis on domestic resources in industrializing the country. [redacted] (Prepared by ORR)

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